



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and  
Members of the City Council  
City of Durham, North Carolina

We have audited the financial statements of City of Durham, North Carolina as of and for the year ended June 30, 2002, and have issued our report thereon dated October 30, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether City of Durham's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items 02-1 and 02-6.

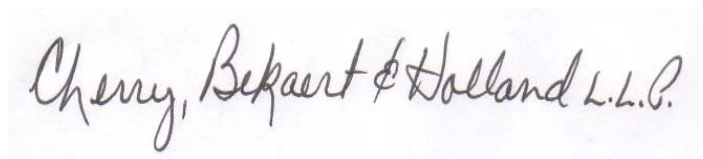
**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered City of Durham's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involves matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Durham's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 02-1 through 02-6.

To the Honorable Mayor and  
Members of the City Council  
City of Durham, North Carolina  
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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 02-1 and 02-5 to be material weaknesses.

This report is intended solely for the information and use of the City Council, management, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

A handwritten signature in dark ink, reading "Cherry, Bekaert & Holland L.L.P." in a cursive script.

Greensboro, North Carolina  
October 30, 2002



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
FEDERAL PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*  
AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Honorable Mayor and  
Members of the City Council  
City of Durham, North Carolina

**Compliance**

We have audited the compliance of City of Durham, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2001. The City of Durham's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Durham's management. Our responsibility is to express an opinion on City of Durham's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Durham's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Durham compliance with those requirements.

As described in item 02-1 in the accompanying schedule of findings and questioned costs, the City of Durham did not comply with requirements regarding underwriting requirements related to the commercial loan pool that are applicable to its Housing and Urban Development Economic Development Grant. As described in item 02-5 in the accompanying schedule of findings and questioned costs, the City of Durham did not comply with requirements regarding determination of eligibility that are applicable to its Housing and Urban Development HOME Grant. Compliance with such requirements is necessary, in our opinion, for the City of Durham to comply with the requirements applicable to that program. In our opinion, except for the noncompliance described in the preceding paragraph, the City of Durham complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

To the Honorable Mayor and  
Members of the City Council  
City of Durham, North Carolina  
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### **Internal Control Over Compliance**

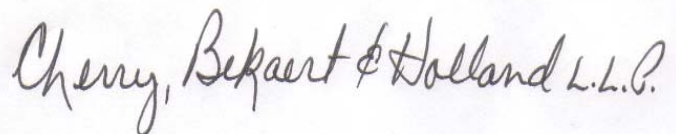
The management of the City of Durham is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Durham's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Durham's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as item 02-1 through 02-6.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 02-1 and 02-6 to be material weaknesses.

We have audited the basic financial statements of the City of Durham as of and for the year ended June 30, 2002, and have issued our report thereon dated October 30, 2002. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal and State awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

A handwritten signature in dark ink, reading "Cherry, Bekart & Holland L.L.P.", is written over a light blue rectangular background.

Greensboro, North Carolina  
October 30, 2002



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE**  
**WITH REQUIREMENTS APPLICABLE TO EACH MAJOR**  
**STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE**  
**IN ACCORDANCE WITH *OMB CIRCULAR A-133* AND THE**  
**STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Honorable Mayor and  
Members of the City Council  
City of Durham, North Carolina

**Compliance**

We have audited the compliance of City of Durham, North Carolina, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2002. The City of Durham's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the City of Durham's management. Our responsibility is to express an opinion on the City of Durham's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Durham's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Durham's compliance with those requirements.

In our opinion, the City of Durham complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2002.

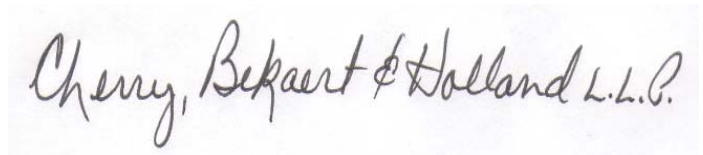
To the Honorable Mayor and  
Members of the City Council  
City of Durham, North Carolina  
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### **Internal Control Over Compliance**

The management of the City of Durham is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City of Durham's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management and State awarding agencies and pass-through entities and is not intended and should not be used by anyone other than specific parties.

A handwritten signature in dark ink, reading "Cherry, Bekaert & Holland L.L.P." in a cursive script.

Greensboro, North Carolina  
October 30, 2002

CITY OF DURHAM, NORTH CAROLINA  
**SUMMARY OF AUDITORS' RESULTS**  
Year Ended June, 30, 2002

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**I – Summary of auditors' results**

***Financial Statements***

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified?   x   yes        no
- Reportable condition(s) identified that are not considered to be material weaknesses?   x   yes        none reported
- Noncompliance material to financial statements noted?   x   yes        no

***Federal Awards***

Internal control over major federal programs:

- Material weakness(es) identified?   x   yes        no
- Reportable condition(s) identified that are not considered to be material weaknesses?   x   yes        none reported

Type of auditor's report issued on compliance for major federal programs: *Qualified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?   x   yes        no

Identification of major federal programs:

| <u>CFDA Numbers</u>    | <u>Names of Federal Program or Cluster</u>                     |
|------------------------|--|
| 14.218                 | Community Development Block Grant – Entitlement Grants         |
| 14.239                 | Home Investment Partnership Agreement                          |
| 14.900                 | Housing and Urban Development – Lead Base Paint Hazard Control |
| 14.864                 | Housing and Urban Development – Economic Development           |
| 16.590                 | City Wide Domestic Violence                                    |
| 16.592                 | Local Law Enforcement Block Grant                              |
| 16.710                 | COPS Universal Hiring Program                                  |
| 16.710                 | COPS in School   |
| 17.258, 17.259, 17.260 | Workforce Investment Act Cluster                               |

CITY OF DURHAM, NORTH CAROLINA  
**SUMMARY OF AUDITORS' RESULTS**  
Year Ended June, 30, 2002

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**I – Summary of auditors' results (continued)**

Dollar threshold used to distinguish between Type A  
and Type B Programs:

\$ 300,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes      x   no

***State Awards***

Internal control over major state programs:

- Material weakness(es) identified? \_\_\_\_\_ yes      x   no
- Reportable condition(s) identified that are not  
considered to be material weaknesses? \_\_\_\_\_ yes      x   none reported

Type of auditor's report issued on compliance for major state programs: *Unqualified.*

Any audit findings disclosed that are required to  
reported in accordance with the *Audit Manual for*  
*Governmental Auditors in North Carolina*?

\_\_\_\_\_ yes      x   no

Identification of major state programs:

Grant Number

N/A

N/A

N/A

N/A

N/A

Names of State Program or Cluster

Powell Bill

American Tobacco Trail

Williams Water Treatment Plant – Loan Agreement

Brown Water Treatment Plant – Loan Agreement

NC DOT SMAP

**II – Financial statement findings**

None reported.



CITY OF DURHAM, NORTH CAROLINA  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June, 30, 2002

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**III – Federal award findings and questioned costs**

U.S. Department of Housing and Urban Development  
Program Name: Economic Development  
CFDA #: 14.864  
Grant Number: B-99-SP-NC-0117

Material Weakness  
Finding 02-1

|                   |   |
|-------------------|---|
| Criteria:         | The City is required to meet the underwriting requirements set forth in the grant agreement. Also, the City is required to meet public benefit and national objective documentation standards.                            |
| Condition:        | The Department of Housing and Urban Development monitoring visit during 2001 and our single audit revealed Economic Development did not properly meet loan underwriting requirements related to the commercial loan pool. |
| Effect:           | The program is in violation of meeting the underwriting documentation requirements.   |
| Cause:            | The program is in violation of meeting the underwriting requirements.   |
| Questioned Costs: | None.   |
| Recommendation:   | We recommend properly documenting all commercial loans as required by the underwriting requirements set forth in the grant agreement.   |

CITY OF DURHAM, NORTH CAROLINA  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June, 30, 2002

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U.S. Department of Justice  
Program Name: Local Law Enforcement Block Grant  
CFDA #: 16.592  
Grant Number: 1999LBVX7241

Reportable Condition  
Finding 02-2

|                   |   |
|-------------------|---|
| Criteria:         | The City is required to file a final quarterly Financial Status Reports (SF-269A) upon expenditure of all program funds.  |
| Condition:        | Our audit procedures revealed all funds were expended prior to March 2002. A quarterly report was filed for that period however the report was not marked "final". As of the date of the audit, no final report had been filed. |
| Effect:           | The City of Durham is not in compliance with the reporting requirements as specified by the grantor.  |
| Cause:            | The program administrators failed to file the final report timely.  |
| Questioned Costs: | None.   |
| Recommendation:   | We recommend reports for grants be filed in a timely manner in accordance with grant agreements.  |

CITY OF DURHAM, NORTH CAROLINA  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June, 30, 2002

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U.S. Department of Housing and Urban Development  
Program Name: HUD – Economic Development  
CFDA #: 14.864  
Grant Number: B-99-SP-NC-0177

Reportable Condition  
Finding 02-3

|                   |  |
|-------------------|--|
| Criteria:         | The City is required to submit a progress report every six months after the effective date of the grant agreement. The City is also required to initiate project close-out within 30 days of project completion. Within ninety days of project close out, the City is required to provide HUD with the following: a certification of project completion, a certification of compliance with all requirements of the grant agreement, a report giving the amount and types of project costs charged to the grant, a certification of costs, and the amounts and sources of other project funds, and a final performance report providing a comparison of actual accomplishment with each of the project commitments and objectives indicated in the approved application. |
| Condition:        | The City has not submitted progress reports or project close-out reports for projects which have ended.  |
| Effect:           | The City of Durham is not in compliance with the reporting requirements as specified by the grantor.   |
| Cause:            | The program administrators failed to file the reports timely.  |
| Questioned Costs: | None.  |
| Recommendation:   | We recommend progress and close-out reports for grants received be filed in a timely manner.   |

CITY OF DURHAM, NORTH CAROLINA  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June, 30, 2002

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U.S. Department of Housing and Urban Development  
Program Name: Community Development Block Grant  
CFDA #: 14.218  
Grant Number: B-01-MC-37-0004

Reportable Condition  
Finding 02-4

|                   |  |
|-------------------|--|
| Criteria:         | The City is required to perform an environmental review and request for release of funds unless they meet criteria specified in the regulations that would exempt or exclude them.   |
| Condition:        | We were unable to obtain documentation relating to the environmental review of the Ellerbee Street project other than a form showing HUD had approved the Request for Release of Funds. The actual review documentation was not provided to us during our audit. |
| Effect:           | The City of Durham may not be in compliance with the reporting requirements as specified by the grantor.   |
| Cause:            | The program is in violation of meeting the documentation requirements.   |
| Questioned Costs: | None.  |
| Recommendation:   | We recommend maintaining and having available for review documentation indicating that an environmental review was not determined necessary or documentation stating the results of such review.   |

CITY OF DURHAM, NORTH CAROLINA  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June, 30, 2002

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U.S. Department of Housing and Urban Development

Program Name: HOME

CFDA #: 14.239

Grant Number: M-01-DC-37-0205

Material Weakness

Finding 02-5

|                   |   |
|-------------------|---|
| Criteria:         | The City is required to comply with eligibility procedures set forth in the grant agreements.   |
| Condition:        | The files on record at the housing office were so disorganized it was impossible to determine if all eligibility requirements had been met.                             |
| Effect:           | The program may not be in compliance with the eligibility requirements as specified by the grantor.   |
| Cause:            | The program may be in violation of meeting the eligibility requirements.  |
| Questioned Costs: | Unable to determine due to the fact that proper eligibility was undeterminable.   |
| Recommendation:   | We recommend eligibility files be organized and eligibility of all recipients of grant funds be reviewed to insure the City is in compliance with grantor requirements. |

CITY OF DURHAM, NORTH CAROLINA  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June, 30, 2002

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U.S. Department of Housing and Urban Development  
Program Name: HOME/CDBG  
CFDA #: 14.239/14.218  
Grant Number: M-01-DC-37-0205/B-01-MC-37-0004

Reportable Condition  
Finding 02-6

|                   |   |
|-------------------|---|
| Criteria:         | The City is required to submit a Consolidated Annual Performance and Evaluation Report (CAPER) to HUD detailing the expenditures of funds for the fiscal year.  |
| Condition:        | The amounts used in the table entitled "Receipts and Expenditures of Federal Funds" found in the 2001-2002 CAPER did not agree to supporting reports filled out by the projects manager.  |
| Effect:           | The program is not in compliance with the reporting requirements as specified by the grantor.   |
| Cause:            | The project managers' records are not reconciled with the general ledger.   |
| Questioned Costs: | None  |
| Recommendation:   | We recommend expenditures for each project be reconciled to the general ledger, that all amounts reported in the CAPER be supported by appropriate general ledger records, and that the CAPER be reviewed for correctness before submission to HUD. |

**IV – State award findings and questioned costs**

None

CITY OF DURHAM, NORTH CAROLINA  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June, 30, 2002

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Reportable Condition

02-1 Underwriting Requirements, Documentation Standards

Name of contact person: Charlene Montford, Director Housing Department

Corrective Action: The Housing and Community Development Department is aware of these deficiencies as a result of the determination of mismanagement of the small business loan program in the Office of Economic and Employment Development in July of 2001. The program was immediately suspended as a result of this discovery. To address these concerns, the small business loan program is in the process of being redesigned to incorporate standard underwriting, accounting and other loan practices for this type of activity. A staff person, skilled in loan underwriting, compliance and program management, will be hired to oversee this program's administration prior to the reinstitution of the small business loan program. This position will also remain in the Office of Economic and Employment Development.

Proposed Completion Date: The program should resume by the end of FY 2002-03.

02-2 Final Report

Name of contact person: Jesse Burwell, Program Accountant

Corrective action: A report marked as final needs to be filed to end the program

Proposed completion date: Final report will be filed as soon as closing packet is received from the Bureau of Justice Assistance.

CITY OF DURHAM, NORTH CAROLINA  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June, 30, 2002

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Reportable Condition

02-3 Progress and close-out reports

Name of contact person: Van McNeill, Program Director

Corrective action: This finding relates to the Economic Development Initiative - Special Projects grant program (EDI-SP). The Department of Housing and Community Development (DHCD) inherited this program on an interim basis when the Director of the Office of Economic and Employment Development resigned in June of 2001 and DHCD's Director was required to act as the Director of both departments. When this department inherited EDI-SP, the open grants for 1999 and 2000 had not been monitored or kept current in their reporting to HUD. At that time, DHCD had no qualified staff person familiar with EDI-SP to manage these grant activities; however, an intern from UNC began working with the department to manage an additional EDI-SP application and resolve the issues with the 1999 and 2000 funds. Our intern left the department in May and the corrective measures have since been continued by another DCHD staff member related to the issues with the 1999 and 2000 grants. Updated activity reports for the past 1.5 years, as required by HUD, have been developed and are ready to submit for the 1999 grant. However, the updated financial reports of expenditure activity for this grant are still in progress. The 2000 grant only requires that a close-out report be completed and submitted to HUD; however, the project cannot be closed out because the agency is trying to identify approximately \$200,000 in additional funding to complete the project. Until that time, the close-out report required by HUD cannot be submitted. The department is working with the agency to try and assist them with the completion of the project. These same conditions also exist for the 1999 projects, with all 3 agencies who received this money in need of additional funds to complete their projects. DHCD recognizes that the grants are not in compliance; however, progress is being made to correct their deficiencies. In addition, the department is managing two additional EDI-SP grants for the years 2001-02 and 2002-03 that are current in their HUD compliance requirements.

Proposed completion date: Presently working to come into compliance with grant requirements



CITY OF DURHAM, NORTH CAROLINA  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June, 30, 2002

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Reportable Condition

02-4 Environmental Review

Name of contact person: Shannon Pittman, Federal Programs Manager

Corrective Action: The environmental review form for that project is on file. We are unclear as to why it was not provided initially. All projects funded with federal money are receiving environmental reviews as is required. The department has assigned that responsibility to one individual on staff in order to ensure that this expertise is established and these requirements are followed.

Proposed Completion Date: Immediately.

02-5 Eligibility Requirements

Name of contact person: Shannon Pittman, Federal Programs Manager

Corrective action: This review pertains to the HOME program files specifically. The files that were reviewed were from several previous years of HOME activities. Those files were indeed poorly organized; however, staff has determined that all previous and current HOME activities are now in compliance, and the older files have been reconstructed to the best of our abilities. The department is now using a checklist for HOME activities to ensure that all compliance and other regulatory documents are included in an organized fashion in the filing system for the program and will do so going forward for all programs.

Proposed completion date: Currently working on new filing system.

CITY OF DURHAM, NORTH CAROLINA  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June, 30, 2002

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Reportable Condition

02-6 CAPER submission

Name of contact person: Shannon Pittman, Federal Programs Manager

Corrective action: Some of these issues are related to the timing of when reimbursements are submitted and reflected in the City's accounting system; however, steps have been taken to correct this timing issue. Some of those corrective measures include:

1. Project managers have been trained and given access to the City's expenditure reports for their project accounts as listed on the Intranet site. This allows them to verify project expenditures to date for their activities.
2. The Fiscal Manager will be monitoring expenditures on a monthly basis, and has since created a new reporting system, to use in monthly reconciliation meetings with project managers and administration. Any inconsistencies in reporting will be identified at this time and corrected immediately.
3. Copies of project requests for checks are now being provided to project managers for their files as evidence of expenditures made for their individual projects as supporting documentation for project expenses and verification.

This should correct the inconsistencies with the CAPER report and other reporting activities in the department.

Proposed completion date: Immediately

**CITY OF DURHAM, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June, 30, 2002

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Finding: 01-1

Status: Still applicable, See 02-1

Finding: 01-2

Status: Resolved

Finding: 01-3

Status: Resolved.

Finding: 01-4

Status: Resolved.

Finding: 01-5

Status: Resolved

Finding: 01-6

Status: Still applicable. See 02-3.